

Registration number: 00138691

# Firth Rixson Metals Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2020



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# **Firth Rixson Metals Limited**

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## **Firth Rixson Metals Limited**

### **Company Information**

<b>Directors</b>	B Mueller
	GF Read
	S M Woods
	M Bugarcic
<b>Company secretary</b>	P Papinniemi-Ainger
<b>Registered office</b>	Johnson Lane
	Ecclesfield
	Sheffield
	South Yorkshire
	S35 9XH
	United Kingdom
<b>Independent Auditors</b>	PricewaterhouseCoopers LLP
	Chartered Accountants and Statutory Auditors
	One Kingsway
	Cardiff
	CF10 3PW

## **Firth Rixson Metals Limited**

### **Strategic Report for the Year Ended 31 December 2020**

The directors present their strategic report for the year ended 31 December 2020.

#### **Principal activities**

The principal activity of Firth Rixson Metals Limited (the "Company") continues to be the stock holding of nickel based super alloy bar and sheet, and the manufacture of forged and rolled products in special steels and super alloys.

#### **Review of the business and future developments**

The results of the Company for the year ended 31 December 2020 are shown in the profit and loss account on page 13 and show a profit for the financial year of £2,709,000 (2019: profit £5,439,000). The financial position of the Company as at 31 December 2020 is shown on the balance sheet on page 15.

The Company's key financial and other performance indicators during the year ended 31 December 2020 were as follows:

	<b>2020</b>	<b>2019</b>
	<b>%</b>	<b>%</b>
Operating profit before exceptional items/turnover	<b>5.6</b>	<b>6.7</b>
Net current assets/turnover	<b>35.1</b>	<b>30.2</b>
	<b>2020</b>	<b>2019</b>
	<b>£ 000</b>	<b>£ 000</b>
Operating profit	<b>4,099</b>	<b>6,467</b>
EBITDA	<b>5,559</b>	<b>8,806</b>
Net current assets	<b>25,935</b>	<b>29,061</b>

## **Firth Rixson Metals Limited**

### **Strategic Report for the Year Ended 31 December 2020 (continued)**

#### **Principal risks and uncertainties**

From the perspective of the Company the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. Accordingly, the principal risks and uncertainties of Howmet Aerospace Inc., which include those of the Company are discussed in the section entitled "Risk factors" in the Howmet Aerospace Inc. Group's 2020 Annual report which does not form part of this report. Details of where the annual report can be found are shown in note to the financial statements or on the Howmet Aerospace Inc. website ([www.howmet.com](http://www.howmet.com)).

#### **Brexit**

The Company spent a significant portion of 2020 preparing for the possible disorderly exit from the EU as a result of the Brexit vote in 2016. A specific team was assembled to address the potential issues identified and was focussed on the key themes of Customer, People, Suppliers and Administrative. As a result of these actions, there have been no significant impacts or disruptions on the business as a result of Brexit and the Company continues to work through the implications of the exit from the EU.

#### **Covid-19**

The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections. Measures taken to contain the virus have affected economic activity and include limiting the movement of people and the temporary closure of businesses and schools. In the Going Concern section of the Directors' report, the directors set out the impact of the crisis on the going concern assessment. The directors do not consider the impact of Covid will have a material impact on the carrying value of the company's assets in the forthcoming financial year.

## Firth Rixson Metals Limited

### Strategic Report for the Year Ended 31 December 2020 (continued)

#### Section 172(1) statement

The Board acknowledges that the long-term success of the Company is dependent on the way it works with several important stakeholders. The board are supported in their duty by the management team of Howmet Aerospace, located in Pittsburgh, USA. Key stakeholders are considered in their decision making and in doing so ensure the directors' duty is discharged under section 172 of the Companies Act 2006. More information on the Howmet Aerospace leadership team is available from [www.howmet.com/leadership](http://www.howmet.com/leadership).

The success of the Company is dependent on the workforce. The Company engages with the workforce through onsite union representation with elected members of the workforce providing representatives for each area. In addition, management uses a quarterly address to update the workforce as a whole on the performance of the business, upcoming plans and future growth strategy. During 2019 this was done through a series of addresses, the method of delivery will be reviewed going forward in light of social distancing requirements. During 2017 the Company also undertook an employee engagement survey. The results were encouraging and also highlighted some good opportunities for development which the Company has put in place.

The Company works largely with strategic partners and look to develop long term relationships with our customers to support their growth plans. The level of market expectation is high in terms of quality, stock availability and product development. The Company has been developed on a reputation of the highest quality products and continuous strides are being made to maintain that position in the market.

The Company is subject to regular audits from its customer base. All audits during 2019 were successfully passed. The Company also holds accreditations from BSI, ISO9001 quality systems and AS9100 aerospace standards amongst others.

The Company uses a combination of strategic global suppliers which are managed at a Group level to leverage the scale of the Group as a whole, and local suppliers managed at a site level. Supplier relationships are governed in line with the Howmet Aerospace Supplier Standards and Supplier Sustainability statements, copies of which are available from [www.howmet.com/supplier-information](http://www.howmet.com/supplier-information).

Howmet Aerospace are committed to having a positive impact on our customers, shareholders, employees, and the communities and markets in which we operate. To that effect, Howmet Aerospace publish an annual Environmental, Social and Governance Report in line with Global Reporting Initiative (GRI) Standards. A full copy of this report is available from [www.howmet.com/environmental-social-governance](http://www.howmet.com/environmental-social-governance).

We're guided by our Values, Code of Conduct, and ethics and compliance program to make the right decision – every time. This includes Code of Conduct training for all employees, Anti-Corruption Program, Human Rights Program and 24/7 integrity helpline. For more information please visit [www.howmet.com/ethics](http://www.howmet.com/ethics).

The Directors acknowledge their duty to act fairly between all members of the company. Key stakeholders are considered in the decision making process of the board with due consideration to the corporate policies referenced above.

Approved by the Board on 28 January 2022 and signed on its behalf by:



M. Bygarcia  
Director

## **Firth Rixson Metals Limited**

### **Directors' Report for the Year Ended 31 December 2020**

The directors present their report and the financial statements for the year ended 31 December 2020.

#### **Directors of the company**

The directors who held office during the year were as follows:

L M Fargas Mas (resigned 31 August 2020)

B Mueller

GF Read

A M Torn (resigned 21 January 2021)

S M Woods

N C Smith (resigned 17 December 2020)

M Bugarcic (appointed 31 August 2020)

#### **Results and dividends**

The results of the Company for the year ended 31 December 2020 are shown in the profit and loss account on page 13 and show a profit for the financial year of £2,709,000 (2019: profit £5,439,000).

The directors do not recommend the payment of a dividend (2019: £-).

#### **Future developments**

The strategy and future developments in the business are set out in the Strategic Report on page 2.

#### **Going concern**

As noted in the strategic report the company has continued to trade but at levels that are lower than those levels experienced prior to lockdown. These lower levels of activity have continued but are expected to recover in line with the recovery of the aerospace industry. In the meantime, steps have been taken to mitigate the trading losses being experienced as a result, and the directors have received confirmation of continued financial support from its parent, including access to cash pooling arrangements with the group global treasury service. On this basis the directors have concluded that it is appropriate that the financial statements be prepared on the going concern basis.

#### **Disclosure of indemnities**

The directors confirm under section 234 of the Companies Act 2006 that:

- at the time this directors' report is signed a qualifying third party indemnity provision (provided by the ultimate parent company, Howmet Aerospace Inc.) was in force for the benefit of all the directors of the Company;
- for the financial year ending 31 December 2020 a qualifying third party indemnity provision (provided by the ultimate parent company, Howmet Aerospace Inc.) was in force for the benefit of all the directors of the Company; and
- that there is no qualifying third party indemnity provision provided by the Company for one or more directors of an associated company either on the date the directors' report is signed or in the last financial year.

## **Firth Rixson Metals Limited**

### **Directors' Report for the Year Ended 31 December 2020 (continued)**

#### **Employment of disabled persons**

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged. It is the policy of the Company that the training, career development and the promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

#### **Employee involvement**

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the Company as a whole. Communication with all employees continues through the house newspaper and newsletters, briefing groups and the distribution of the annual report.

Regular meetings of the safety committee, including both employee and Company representatives, ensure the development and implementation of health and safety standards.

#### **Financial risk management**

##### **Objectives and policies**

The Company's operations expose it to a variety of financial risks, including commodity price risk, exchange rate risk, credit risk, liquidity risk and interest rate risk. Exposures to these risks are monitored, reported and mitigated according to policies and procedures set by its ultimate parent company Howmet Aerospace Inc..

##### *Price risk*

Where deemed appropriate, the exposures to commodity price risk and exchange rate fluctuations are managed through the use of financial instruments such as forward exchange contracts, options and swaps. The Company's operations have no exposure to equity securities price risk as it holds no listed or equity investments.

##### *Credit risk*

Credit risk policies include appropriate credit checks on potential customers. Credit limits are defined within parameters set by Howmet Aerospace Inc..

##### *Liquidity risk*

The Company maintains a mixture of long term and short term debt finance principally with the wider Howmet Aerospace Inc. group. This is designed to ensure the Company has sufficient available funds for its operations.

##### *Interest rate cash flow risk*

The Company's operations have interest bearing assets and liabilities which are maintained on the basis of a mixture of fixed and floating rates. The interest rate levels are reviewed on a regular basis with Howmet Aerospace Inc..



## Firth Rixson Metals Limited

### Directors' Report for the Year Ended 31 December 2020 (continued)

#### Statement of directors' responsibilities

The directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### Environmental report

##### Emissions and energy consumption

The SECR submission has been compiled using the 2019 HM Government Environmental Reporting Guidelines.

Emissions have been grouped according to the GHG Protocol Corporate Standard.

We have used the following data sources for the report for the:

Energy and Fuel Data - Energy supplier billing data and electricity half hour data;

Transport Data - Company mileage records; and

Refrigerant Emissions - Engineering maintenance records.

CO2 emissions have been calculated using the 2020 UK Government Conversions Factors for Company Reporting.

Emissions have been calculated for the company financial year 1 January 2020 to 31 December 2020.

Summary of greenhouse gas emissions and energy consumption for the year ended 31 December 2020:

Name and description	Unit of measurement	
		2020
Electricity	kWh	16,279,980
Natural gas	kWh	27,220,811
Diesel	kWh	340,000
LPG	kWh	11,178
Propane	kWh	11,178
Company vehicles	tonnes CO2e	<u>2</u>

## Firth Rixson Metals Limited

### Directors' Report for the Year Ended 31 December 2020 (continued)

Summary of scope 1 (direct) greenhouse gas emissions for the year ended 31 December 2020:

Name and description	Unit of measurement	2020
Natural gas	tonnes CO2e	5,257
Diesel	tonnes CO2e	91
LPG	tonnes CO2e	3
Propane	tonnes CO2e	3
Company vehicles	tonnes CO2e	2
		<u>5,356</u>

Summary of scope 2 (indirect) greenhouse gas emissions for the year ended 31 December 2020:

Name and description	Unit of measurement	2020
Purchase of electricity	tonnes CO2e	<u>3,630</u>

#### Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

#### Reappointment of independent auditors

PricewaterhouseCoopers LLP has indicated its willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an AGM.

Approved by the Board on 28 January 2022 and signed on its behalf by:



M. Bugačić  
Director

# Independent auditors' report to the members of Firth Rixson Metals Limited

## Report on the audit of the financial statements

### Opinion

In our opinion, Firth Rixson Metals Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2020; the profit and loss account, the statement of comprehensive income and statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

# Independent auditors' report to the members of Firth Rixson Metals Limited (continued)

## Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

## Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

## Responsibilities for the financial statements and the audit

### Responsibilities of the directors for the financial statements

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

# Independent auditors' report to the members of Firth Rixson Metals Limited (continued)

## Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Challenging assumptions and judgements made by management in their significant accounting estimates
- Identifying and testing journal entries, in particular journal entries posted with unexpected account combinations
- Incorporating unpredictability into the nature, timing and/or extent of our testing
- Reading board minutes for evidence of breaches of regulations and reading relevant correspondence
- Discussions with management to enquire of any known instances of non-compliance with Laws and Regulations and Fraud

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

## Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

# Independent auditors' report to the members of Firth Rixson Metals Limited (continued)

## Other required reporting

### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Jason Clarke (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Cardiff  
28 January 2022

## Firth Rixson Metals Limited

### Profit and Loss Account for the Year Ended 31 December 2020

	Note	2020 £ 000	2019 £ 000
Turnover	5	73,835	96,230
Cost of sales		<u>(68,110)</u>	<u>(86,650)</u>
Gross profit		5,725	9,580
Distribution costs		(118)	(829)
Administrative expenses		(3,814)	(2,284)
Other operating income		1,134	-
Operating profit before exceptional items		4,099	6,467
Exceptional Items	8	<u>(1,172)</u>	<u>-</u>
Operating profit	7	2,927	6,467
Interest receivable and similar income	9	<u>15</u>	<u>7</u>
Profit before taxation		2,942	6,474
Tax on profit	13	<u>(233)</u>	<u>(1,035)</u>
Profit for the financial year		<u>2,709</u>	<u>5,439</u>

The above results were derived from continuing operations.

The company has no recognised gains or losses for the year other than the results above.

The notes on pages 17 to 36 form an integral part of these financial statements.

## **Firth Rixson Metals Limited**

### **Statement of Comprehensive Income for the Year Ended 31 December 2020**

	<b>2020</b>	<b>2019</b>
	<b>£ 000</b>	<b>£ 000</b>
Profit for the financial year	<u><b>2,709</b></u>	<u><b>5,439</b></u>
Total comprehensive income for the year/period	<u><u><b>2,709</b></u></u>	<u><u><b>5,439</b></u></u>

The notes on pages 17 to 36 form an integral part of these financial statements.

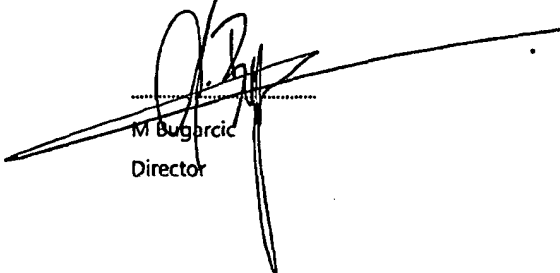


# Firth Rixson Metals Limited

(Registration number: 00138691)  
Balance Sheet as at 31 December 2020

	Note	2020 £ 000	2019 £ 000
<b>Fixed assets</b>			
Tangible assets	14	26,119	20,284
Investments	15	<u>18,925</u>	<u>18,925</u>
		<u>45,044</u>	<u>39,209</u>
<b>Current assets</b>			
Inventories	16	26,634	36,425
Debtors	17	<u>34,906</u>	<u>33,563</u>
		61,540	69,988
<b>Creditors: Amounts falling due within one year</b>	18	<u>(35,605)</u>	<u>(40,927)</u>
<b>Net current assets</b>		<u>25,935</u>	<u>29,061</u>
<b>Net assets</b>		<u>70,979</u>	<u>68,270</u>
<b>Capital and reserves</b>			
Called up share capital	20	375	375
Share premium account		8,775	8,775
Profit and loss account		<u>61,829</u>	<u>59,120</u>
<b>Total equity</b>		<u>70,979</u>	<u>68,270</u>

The financial statements on pages 13 to 36 were approved by the Board of Directors on 28 January 2022 and signed on its behalf by:

  
 .....  
 M Bugarcic  
 Director

## Firth Rixson Metals Limited

### Statement of Changes in Equity for the Year Ended 31 December 2020

	Called up share capital £ 000	Share premium account £ 000	Profit and loss account £ 000	Total equity £ 000
At 1 January 2020	375	8,775	59,120	68,270
Profit for the financial year	-	-	2,709	2,709
Total comprehensive income for the year	-	-	2,709	2,709
At 31 December 2020	375	8,775	61,829	70,979

Profit and loss account represents cumulative retained comprehensive income.

Share premium account represents consideration received in respect of the issuance of share capital in excess of the nominal value of that share capital, less any costs directly incurred in connection with the issue.

	Called up share capital £ 000	Share premium account £ 000	Profit and loss account £ 000	Total equity £ 000
At 1 January 2019	375	8,775	53,681	62,831
Profit for the financial year	-	-	5,439	5,439
Total comprehensive income for the year	-	-	5,439	5,439
At 31 December 2019	375	8,775	59,120	68,270

Dividends paid - see Note 22

The notes on pages 17 to 36 form an integral part of these financial statements.

## **Firth Rixson Metals Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2020**

#### **1 General Information**

Firth Rixson Metals Limited (the "Company") is part of the Howmet Engine Systems business group.

The company is a private company limited by share capital, incorporated in England and Wales. The Company's registered office is located in England.

The address of its registered office is:

Johnson Lane  
Ecclesfield  
Sheffield  
South Yorkshire  
S35 9XH  
United Kingdom

These financial statements were authorised for issue by the Board on 28 January 2022.

#### **2 Statement of compliance**

The financial statements of Firth Rixson Metals Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

#### **3 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The Company has adopted FRS 102 in these financial statements.

##### **3.1 Basis of preparation of financial statements**

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by certain financial assets and liabilities measured at fair value through profit or loss.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

The notes on pages 17 to 36 form an integral part of these financial statements.

## **Firth Rixson Metals Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)**

#### **3.2 Going concern**

The financial position of the Company is shown in the financial statements on pages 13 to 36.

As noted in the strategic report the company has continued to trade but at levels that are lower than those levels experienced prior to lockdown. These lower levels of activity have continued but are expected to recover in line with the recovery of the aerospace industry. In the meantime, steps have been taken to mitigate the trading losses being experienced as a result, and the directors have received confirmation of continued financial support from its parent, including access to cash pooling arrangements with the group global treasury service. On this basis the directors have concluded that it is appropriate that the financial statements be prepared on the going concern basis.

#### **3.3 Exemptions for qualifying entities under FRS 102**

The Company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, Howmet Aerospace Inc., includes the Company's cash flows in its own consolidated financial statements.

This information is included in the consolidated financial statements of Howmet Aerospace Inc. as at 31 December 2020 which can be obtained from Howmet Aerospace Inc. Corporate Office, 201 Isabella Street, Pittsburgh, PA 15212-5828, USA.

#### **3.4 Exemption from the requirement to prepare consolidated financial statements**

The Company is a wholly owned subsidiary of Howmet Aerospace Inc. It is included in the consolidated financial statements of Howmet Aerospace Inc. which are publicly available from either the address set out in note 26 to the financial statements or the Howmet Aerospace Inc. website ([www.howmet.com](http://www.howmet.com)). Therefore the Company is exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

#### **3.5 Related party transactions**

The Company has taken advantage of the exemption, under FRS 102, from disclosing transactions with members of the same group that are wholly owned and key management personnel.

## **Firth Rixson Metals Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)**

#### **3.6 Foreign currency**

##### **(i) Functional and presentation currency**

The Company's functional and presentation currency is the pound sterling.

##### **(ii) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions. At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and the loss account, except when deferred in other comprehensive income as qualifying cash flow hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within administrative expenses. All other foreign exchange gains and losses are presented in the profit and loss account within cost of goods sold.

#### **3.7 Employee benefits**

The Company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and a defined benefit and contribution pension plan.

##### **(i) Short term benefits**

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

##### **(ii) Defined contribution pension plan**

The Company operates a defined contribution pension plan for certain employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in 'Creditors: amounts falling due within one year' in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

##### **(iii) Defined benefit pension plan**

The Company participates in a group defined benefit pension scheme. The pension scheme is accounted for in a fellow subsidiary, Firth Rixson Limited. The contributions paid by the Company are accounted for as if the scheme were a defined contribution scheme as the company is unable to separately identify its share of the underlying assets or liabilities in the scheme.

##### **(iv) Annual bonus plan**

The Company operates a discretionary bonus plan for employees. An expense is recognised in the profit and loss account when the Company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

The notes on pages 17 to 36 form an integral part of these financial statements.

## **Firth Rixson Metals Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)**

#### **(v) Share-based payments**

The Group operates a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the expected vesting period is determined by reference to the fair value of options granted, excluding the input of any non-market vesting conditions. The Company recognises an expense in the profit and loss account in a similar way based on those options granted to subsidiary employees, with a corresponding adjustment to equity.

#### **3.8 Research and development**

Research and development expenditure is written off to the profit and loss account in the year in which it is incurred.

#### **3.9 Cash at bank and in hand**

Cash at bank and in hand includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

#### **3.10 Finance income and costs**

##### **(i) Interest income**

Interest income is recognised using the effective interest rate method.

##### **(ii) Finance costs**

Finance costs are charged to the profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

#### **3.11 Inventories**

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Inventories are recognised as an expense in the period in which the related turnover is recognised.

Cost is determined using the first-in, first-out (FIFO) method. Cost includes the purchase price, including taxes, duties, transport and handling directly attributable to bringing the inventory to its present location and condition. The cost of manufactured finished goods and work in progress includes design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity).

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the profit and loss account. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the profit and loss account.

## **Firth Rixson Metals Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)**

#### **3.12 Turnover**

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates and value added tax. The following criteria must also be met before turnover is recognised:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### **3.13 Called up share capital**

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### **3.14 Dividends**

Dividends are recognised as a liability in the period in which they are approved by the Company's shareholders. These amounts are recognised in the Statement of Changes in Equity.

## **Firth Rixson Metals Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)**

#### **3.15 Tangible assets**

Tangible assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Cost includes the original purchase cost of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the Company and the cost can be measured reliably.

Repairs and maintenance costs are expensed as incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives and principal annual rates used for this purpose range as follows:

Buildings - 15 - 40 years

Plant and equipment - 3 - 25 years

Construction work in progress - Not depreciated

Land - Not depreciated

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the profit and loss account.

#### **3.16 Intangible assets**

Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. Software is amortised over its estimated useful life of between three and five years, on a straight line basis. Where factors such as technological advancement or changes in market price indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate is amended prospectively to reflect the new circumstances. The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

#### **3.17 Provision for liabilities**

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the profit and loss account in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are made, they are charged to the provision carried in the balance sheet.

The notes on pages 17 to 36 form an integral part of these financial statements.



## **Firth Rixson Metals Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)**

#### **3.18 Impairment of non-current financial assets**

At each balance sheet date non-current financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset. If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

#### **3.19 Leased assets**

At inception the Company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

##### **(i) Finance leased assets**

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the Company's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset. Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date. The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

##### **(ii) Operating leased assets**

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

The notes on pages 17 to 36 form an integral part of these financial statements.

## **Firth Rixson Metals Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)**

#### **3.20 Current and deferred taxation**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Where relief is claimed against losses sustained by other companies in the group, this relief is charged to the Company by the donor company at the rate of £1 for every £1 of taxation not paid. Amounts payable for group relief are included in the taxation charge of the Company.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Company can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Current or deferred taxation assets and liabilities are not discounted.

## **Firth Rixson Metals Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)**

#### **3.21 Financial instruments**

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments as amended by the FRC in its Triennial review 2017.

##### **(i) Financial assets**

Basic financial assets, including trade and other debtors, amounts owed by group undertakings and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method. At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss. If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

##### **(ii) Financial liabilities**

Basic financial liabilities, including trade and other creditors and amounts owed to group undertakings, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as 'Creditors: amounts falling due within one year' if payment is due within one year or less. If not, they are presented as 'Creditors: amounts falling due after more than one year'. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

##### **(iii) Offsetting**

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### **(iv) Derivatives**

Derivative financial instruments can be a financial asset or a financial liability and are not basic financial instruments.

Derivatives, including forward foreign exchange contracts are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate.

The Company does not currently apply hedge accounting for foreign exchange derivatives.

The notes on pages 17 to 36 form an integral part of these financial statements.

## **Firth Rixson Metals Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)**

#### **3.22 Government grants**

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

COVID 19 related support is shown within Government Grants in Other Operating Income.

#### **4 Critical accounting judgements and estimates**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

##### **(i) Useful economic lives and tangible assets**

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on the technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 14 for the carrying amount of the tangible assets, and accounting policy 3.15 for the useful economic lives for each class of assets.

##### **(ii) Impairment of debtors**

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 17 for the net carrying amount of the debtors and associated impairment provision.

##### **(iii) Inventory provisioning**

The principal activity of the Company is the stock holding and distribution of nickel based super alloy bar and sheet, and the manufacture and hire-working of forged and rolled products in special steels and super alloys which are subjected to changing customer requirements as a result of market conditions.

As a result of the aforementioned factors it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and work in progress and future usage of raw materials. See note 16 for the net carrying amount of the inventory and associated provision.

The notes on pages 17 to 36 form an integral part of these financial statements.

## Firth Rixson Metals Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

#### 5 Turnover

The analysis of the Company's turnover for the year/period from continuing operations is as follows:

	2020 £ 000	2019 £ 000
- Sale of goods	73,418	95,467
Sale of scrap	417	763
	<u>73,835</u>	<u>96,230</u>

The analysis of the Company's turnover by geographical market destination is provided below:

	2020 £ 000	2019 £ 000
United Kingdom	9,416	13,722
Rest of Europe	33,543	30,698
Rest of World	30,876	51,810
	<u>73,835</u>	<u>96,230</u>

#### 6 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2020 £ 000	2019 £ 000
Government grants	<u>1,134</u>	<u>-</u>

#### 7 Operating profit

Arrived at after charging/(crediting)

	2020 £ 000	2019 £ 000
Depreciation expense	1,460	1,323
Impairment (gain)/loss of trade debtors	-	202
Foreign exchange (gains)/losses	(398)	516
Operating lease expense - other	614	667
Loss on disposal of property, plant and equipment	130	34
Impairment of projects in construction work in progress	<u>-</u>	<u>1,017</u>

#### 8 Exceptional items

Included as exceptional amounts within the profit and loss account are:

	2020 £ 000	2019 £ 000
Redundancy costs	<u>1,172</u>	<u>-</u>

The notes on pages 17 to 36 form an integral part of these financial statements.

# Firth Rixson Metals Limited

## Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

### 9 Interest receivable and similar income

	2020	2019
	£ 000	£ 000
Other finance income	<u>15</u>	<u>7</u>

### 10 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2020	2019
	£ 000	£ 000
Wages and salaries	10,564	12,554
Social security costs	816	1,225
Other pension costs	914	1,421
Redundancy costs	1,172	-
Share-based payment expenses	<u>56</u>	<u>37</u>
	<u>13,522</u>	<u>15,237</u>

The average monthly number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2020	2019
	No.	No.
Production	199	246
Administration and support	<u>24</u>	<u>41</u>
	<u>223</u>	<u>287</u>

# Firth Rixson Metals Limited

## Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

### 11 Directors' remuneration

The directors' remuneration for the year/period was as follows:

	2020 £ 000	2019 £ 000
Remuneration	452	545
Company contributions paid to money purchase schemes	<u>50</u>	<u>32</u>

During the year/period the number of directors who were receiving benefits and share incentives was as follows:

	2020 No.	2019 No.
Received or were entitled to receive shares under long term incentive schemes	3	3
Accruing benefits under money purchase pension scheme	<u>3</u>	<u>3</u>

In respect of the highest paid director:

	2020 £ 000	2019 £ 000
Remuneration	199	339
Company contributions to money purchase pension schemes	<u>17</u>	<u>14</u>

During the year the highest paid director received or was entitled to receive shares under a long term incentive scheme.

### 12 Auditors' remuneration

	2020 £ 000	2019 £ 000
Audit of the financial statements	<u>38</u>	<u>37</u>

# Firth Rixson Metals Limited

## Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

### 13 Tax on profit

Tax charged/(credited) in the profit and loss account

	2020 £ 000	2019 £ 000
<b>Current taxation</b>		
UK corporation tax	(368)	765
UK corporation tax adjustment to prior periods	<u>266</u>	<u>128</u>
	<u>(102)</u>	<u>893</u>
<b>Deferred taxation</b>		
Arising from origination and reversal of timing differences	<u>335</u>	<u>142</u>
Tax expense in the profit and loss account	<u>233</u>	<u>1,035</u>

The tax on (loss)/profit on ordinary activities before taxation for the year/period is higher than the standard rate of corporation tax in the UK (2019 - the same as the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £ 000	2019 £ 000
Profit on ordinary activities before taxation	<u>2,942</u>	<u>6,474</u>
Corporation tax at standard rate	559	1,230
Effect of expense not deductible in determining taxable profit (tax loss)	(185)	(170)
Deferred tax expense (credit) relating to changes in tax rates or laws	(75)	(26)
Deferred tax expense (credit) from unrecognised temporary difference from a prior period	(6)	(72)
Increase (decrease) in UK and foreign current tax from unrecognised temporary difference from a prior period	(21)	128
Tax increase (decrease) from effect of capital allowances and depreciation	31	31
Tax increase (decrease) from transfer pricing adjustments	<u>(70)</u>	<u>(86)</u>
Total tax charge	<u>233</u>	<u>1,035</u>

The notes on pages 17 to 36 form an integral part of these financial statements.



# Firth Rixson Metals Limited

## Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

### Deferred tax

#### Deferred tax assets and liabilities

	Liability £ 000
<b>2020</b>	
Accelerated capital allowances	295
Short term timing differences	-
	<u>295</u>
<b>2019</b>	Liability £ 000
Accelerated capital allowances	627
Short term timing differences	3
	<u>630</u>

Changes to the UK corporation tax rate were substantively enacted as part of the Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate of corporation tax to 17% from 1 April 2020. Deferred taxes as at 31 December 2019 have been measured using this enacted tax rate. A further change was substantively enacted on 17 March 2020 to maintain the rate at 19%. Deferred taxes as at 31 December 2020 have been measured using this enacted rate.

Subsequent to the above the UK government announced in its 2021 budget an increase in the rate of corporation tax from 19% to 25% with effect from 1 April 2023. At the Balance Sheet date, the proposal to increase the rate to 25% had not been substantively enacted, substantive enactment took place on 24 May 2021, therefore, its effects are not included in these financial statements.

The notes on pages 17 to 36 form an integral part of these financial statements.

# Firth Rixson Metals Limited

## Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

### 14 Tangible assets

	Land and buildings £ 000	Plant and equipment £ 000	Construction in progress £ 000	Total £ 000
<b>Cost</b>				
At 1 January 2020	7,142	67,929	5,926	80,997
Additions	-	-	7,424	7,424
Disposals	-	(154)	-	(154)
Transfers	57	1,242	(1,299)	-
At 31 December 2020	7,199	69,017	12,051	88,267
<b>Accumulated Depreciation</b>				
At 1 January 2020	2,921	57,792	-	60,713
Charge for the year	165	1,294	-	1,459
Eliminated on disposal	-	(24)	-	(24)
At 31 December 2020	3,086	59,062	-	62,148
<b>Carrying amount</b>				
At 31 December 2020	4,113	9,955	12,051	26,119
At 31 December 2019	4,221	10,137	5,926	20,284

### 15 Investments

	2020 £ 000	2019 £ 000
Investments in subsidiaries	18,925	18,925

The investment relates to a 100% holding of the issued ordinary shares of Firth Rixson Superalloys Limited, a dormant company incorporated in England and Wales. The address of its registered office is Johnson Lane, Ecclesfield, Sheffield, S35 9XH, UK.

The directors believe that the carrying value of the investment is supported by its underlying net assets.

# Firth Rixson Metals Limited

## Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

### 16 Inventories

	2020 £ 000	2019 £ 000
Raw materials and consumables	10,222	8,529
Work in progress	6,049	16,810
Finished goods and goods for resale	<u>10,363</u>	<u>11,086</u>
	<u>26,634</u>	<u>36,425</u>

Inventories are stated after provisions for impairment of £656,695 (2019: £1,064,463).

### 17 Debtors

	2020 £ 000	2019 £ 000
Trade debtors	8,715	13,990
Amounts owed by group undertakings	4,111	4,552
Amounts held on deposit with group undertakings	18,472	13,028
Other debtors	1,261	179
Deferred tax assets	295	630
Prepayments and accrued income	585	694
Derivative financial instruments	<u>1,467</u>	<u>490</u>
	<u>34,906</u>	<u>33,563</u>

#### Details of non-current trade and other debtors

Trade debtors are stated after provisions for impairment of £9,000 (2019: £9,000).

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. Amounts held on deposit with group undertakings are unsecured, have no fixed date of repayment and are repayable on demand. The deposits are with FR Acquisitions Corporation (Europe) Limited and Howmet Global Treasury Services Sarl and bears a rate of interest based on LIBOR plus a deposit spread.

## Firth Rixson Metals Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

#### 18 Creditors: amounts falling due within one year

	2020 £ 000	2019 £ 000
<b>Due within one year</b>		
Trade creditors	12,958	17,551
Amounts owed to group undertakings	1,730	1,465
Amounts owed to group undertakings - group relief	708	1,169
Loans from group undertakings	18,925	18,925
Other taxation and social security	206	-
Other payables	120	235
Accruals and deferred income	958	1,582
	<u>35,605</u>	<u>40,927</u>

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. Loans from group undertakings relates to a loan from Firth Rixson Superalloys Limited. The loan is unsecured, interest free, has no fixed date of repayment and is repayable on demand.

#### 19 Pension and other schemes

##### Money purchase scheme

The company operates a money purchase scheme. The contributions to this defined contribution plan charged to the profit and loss account in 2020 amounted to £914,000 (2019: £975,000).

##### Defined benefit pension scheme

##### Firth Rixson Retirement Benefits Plan

The Company participates in the Firth Rixson Retirement Benefits Plan (FRRBP), which is a defined benefit scheme. However, the contributions paid by the company are accounted for as if the scheme were a defined contribution scheme, as the company is unable to identify its share of the underlying assets or liabilities in the scheme. Details of the FRRB Plan are included in the financial statements of Firth Rixson Limited.

The cost of contributions to the group scheme amounted to £- (2019: £446,000), and are based on pension costs of the group as a whole.

A full actuarial valuation was carried out at 5 April 2017. An actuarial valuation review for FRS 102 purposes was undertaken on 31 December 2020 shows a surplus of £6.9m (2019: £7.5m).

The scheme was closed to future accrual with effect from 31 January 2019.

The notes on pages 17 to 36 form an integral part of these financial statements.

# Firth Rixson Metals Limited

## Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

### 20 Called up share capital

#### Allotted, called up and fully paid shares

	2020		2019	
	No. 000	£ 000	No. 000	£ 000
Ordinary share of £1 each	375	375	375	375

### 21 Obligations under leases and hire purchase contracts

#### Operating leases

The total of future minimum lease payments is as follows:

	2020	2019
	£ 000	£ 000
Not later than one year	384	152
Later than one year and not later than five years	944	604
	<u>1,328</u>	<u>756</u>

### 22 Dividends

#### Final dividends paid

	2020	2019
	£ 000	£ 000
Final dividend of £Nil per each ordinary share	<u>-</u>	<u>-</u>

### 23 Commitments

#### Capital commitments

The total amount contracted for but not provided in the financial statements was £760,746 (2019 - £1,512,540).

The notes on pages 17 to 36 form an integral part of these financial statements.

## **Firth Rixson Metals Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)**

#### **24 Financial instruments**

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments as amended by the FRC in its Triennial review 2017.

##### **Financial assets / liabilities measured at fair value**

###### *Derivative financial instruments - Forward contracts*

Metal hedges are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing the derivatives are the forward exchange rates for GBP:USD and GBP:EUR. The fair value of the asset / (liability) is £1,187,248 (2019 - £490,108) and the gain / (loss) change in value included in profit or loss is £977,140 (2019 - £892,123).

#### **25 Related party transactions**

The Company is a wholly-owned subsidiary of Howmet Aerospace Inc. and is included in the consolidated financial statements of Howmet Aerospace Inc., which are publicly available. Consequently, in accordance with the exemption afforded by Financial Reporting Standard No 102, there is no disclosure in these financial statements of transactions with entities where 100% of the Company's voting rights are controlled within the Howmet Aerospace Inc. group.

#### **26 Parent and ultimate parent undertaking**

The company's immediate parent is Firth Rixson Limited, incorporated in the United Kingdom.

The ultimate parent and controlling party is Howmet Aerospace Inc., incorporated in the United States of America, and forms the largest and smallest group in which the Company's results are consolidated.

The most senior parent entity producing publicly available financial statements is Howmet Aerospace Inc.. These financial statements are available upon request from Howmet Aerospace Inc. Corporate Office, 201 Isabella Street, Pittsburgh, PA 15212-5828, USA or the website ([www.howmet.com](http://www.howmet.com)).